



Date: December 15, 2008
To: Mayor and Members of the City Council
From: Patrick H. West, City Manager *PL West*
Subject: **QUESTIONS FROM NOVEMBER 18TH CITY COUNCIL STUDY SESSION**

At the November 18, 2008 Study Session regarding the proposed land exchange for the Los Cerritos Wetlands property, several Councilmembers posed questions that were not answered at that time. These questions, and responses, are listed below.

Councilmember Schipske

- 1. We need independent appraisals not only of the surface area value but also the oils rights underneath.**

An outdated, confidential appraisal by the State of California was projected to the current date to arrive at the estimated value of twenty-five million dollars for the surface rights of the Los Cerritos Wetlands. Acquisition of the oil interests in addition to the surface rights would require significant additional property to offset this value.

- 2. We need an outside independent appraisal of the parcels that the City is wanting to swap.**

While we have broker estimates of value for these properties, full narrative appraisals would be very expensive, the funding source for which has not been identified. Perhaps staff could secure letters of opinion from an MAI appraiser, if this satisfies Council's concern.

- 3. Why allow the property owner to keep the oil rights under the Wetlands, and we would still give away oil rights on other properties?**

The oil interests at the Wetlands are too expensive to acquire. Similar to the deal negotiated on the Bryant Wetlands acquisition, we are only seeking the surface rights. In order to provide incentive for the swap, staff proposes to include a single operating well at the northwest corner of Atlantic Avenue and Spring Street, which is currently under a long-term royalty agreement.

4. Where would the remediation funds come from and what is the estimated cost?

Under the design of the prior Sports Park project, the grading plan was intended to address the majority of the constituents of concern in the soils, minimizing remediation costs. Since the Amerigas site was a part of the grading plan, it is in the City's best interest to control the owner's ability to redevelop the site separate from the larger parcel. In that regard, the Amerigas double escrow was proposed. Now, however, that project is not progressing. The estimated cost of the grading plan is between \$15 million and \$20 million dollars. If the City loses control of the Amerigas property, there is potential for additional exposure to environment remediation costs to an unknown degree.

5. Don't we have a policy of notifying the City Council 30 days in advance of major property transactions?

Yes, we do. On October 7th, 42 days before the November 18th City Council meeting, we held a closed session with the City Council to go over the details of this transaction.

6. We should require a wetlands delineation study at the expense of the property owner.

A wetlands delineation study serves, in part, to identify those portions of the property that are absent wetlands and could be developed for other purposes. It is our understanding that a delineation study was conducted when the current owner acquired the property. We expect this study would be provided during the due diligence period for the land exchange. The delineation study would also be necessary for any future appraisal of the property to establish market value. If necessary, at the point when the City is the owner of the surface rights, the City could provide access to the LCWA to conduct an updated delineation study in order to facilitate their offer to acquire the wetlands.

7. Why haven't the owners of the Los Cerritos Wetlands been cited and forced to clean up the weeds?

Since this is an environmentally sensitive area, any clean up work on this property must be vetted out with the California Coastal Commission.

8. We need to understand what the impact of giving up the Sports Park property has on the Westside.

The Sports Park is located in Central Long Beach and has always been intended to serve the entire City, not just the Westside. That said, we continue to work with Westside groups to develop a Parks and Recreation model to meet their needs if we're never able to complete the Sports Park development. A separate memo to the City Council dated December 9, 2008, outlines our efforts in creating more park and recreation opportunities for not only the Westside, but Central Long Beach, as well.

Councilmember Gabelich

- 1. Can we guarantee that the Amerigas property will be used for crane sales and guarantee it does not become an unsightly use?**

At this time, the acquisition of the Amerigas property is not moving forward.

- 2. What funds would be used and how much are the costs associated with the relocation of the Public Service Yard and Long Beach Gas & Oil?**

We have been in the process of disposing of the Public Service Yard for several years to relocate our Public Works Department. We have located a site at the airport which should be somewhat cost neutral for the new relocation. Regarding the Gas & Oil facility, our plan would be to utilize future sales tax and property tax revenue from a tax-generating use on this property, as well as Redevelopment Agency dollars and Gas & Oil enterprise funds, to place the facility in a new location.

- 3. Are there pipelines or infrastructure at Gas & Oil that would have to be relocated?**

Our intent would be not to relocate or move any of the pipelines or infrastructure at the Gas & Oil facility. The office and yard facility would move, but not the underground infrastructure.

- 4. Who owns the mineral rights under the Sports Park site?**

The mineral rights under the Sports Park site are owned by the City of Long Beach. We have an agreement with Signal Hill Petroleum to operate numerous oil wells on the property where they collect royalties.

- 5. What is the status of the consulting contract with Big League Dreams?**

The consulting contract continues to be active. We have not yet cancelled it, however, we have been in communication with them regarding the potential cancellation.

- 6. Who owns the oil rights at the 1.35-acre site at Cherry and Creston in Signal Hill?**

There is one oil well on this property and the City of Long Beach owns those oil rights.

- 7. We need to have dollar figures on what we're getting and what we're giving.**

These will be provided, however, it must be noted there are no real industry standard values used in appraising wetlands. Many communities consider the opportunity to put them in the public trust priceless.

Councilmember Lerch

1. **If we stop this deal right now, do we have the money to build the Sports Park?**

No.

2. **Do we have money available to move forward with completing the work on our newly acquired parkland on the Westside?**

Yes.

Councilmember O'Donnell

1. **What is the estimate to clean up the contamination and how will we pay for it?**

We do not expect any contamination clean up on the Los Cerritos Wetlands. Regarding the Amerigas property, if it is graded to the plans developed in our earlier EIR, we are hopeful there will be little or no remediation necessary. We did own this property up until 1952, so we are on title to pay for some remediation if absolutely necessary, no matter what this property is used for, or when it is developed, today or in the future. We cannot escape our potential remediation liability, only manage it.

2. **How can we help the Westside get the space they need for the kids?**

A memo was delivered to the City Council on December 9th outlining the work going on in the Westside for park and recreation opportunities for our youth.

3. **What is the ownership status of the Studebaker and Westminster parcel?**

The LCWA controls this property.

Please let me know if you require additional information.

PHW:GH